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**Financial Institutions &  
Insurance Committee**

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**HB 1885**

**Brief Description:** Restricting the investment options of the Washington state investment board.

**Sponsors:** Representatives Simpson and Hasegawa.

**Brief Summary of Bill**

- Defines "pharmaceutical manufacturing company."
- Prohibits the Washington State Investment Board from investing in a pharmaceutical manufacturing company that: Restricts the supply of one or more prescription drugs to Canada in response to the reimportation of a prescription drug into the United States; or sells any of their prescription drugs in the United States at a rate that is more than 10 percent higher than the price they charge in Canada.

**Hearing Date:** 2/24/05

**Staff:** Jon Hedegard (786-7127).

**Background:**

The Legislature created the Washington State Investment Board (WSIB) in 1981 to administer public trust and retirement funds. The WSIB is charged with investing and managing \$57.3 billion of assets in 33 separate funds. The types of funds include retirement, industrial insurance, deferred compensation, permanent funds and other trust funds.

The WSIB is governed by a 15 member board that includes 10 voting and five non-voting members. Board members are fiduciaries who are charged with managing the investments with the highest standard of professional conduct.

Washington law requires that the WSIB to establish investment policies and procedures that are designed to maximize return at a prudent level of risk. There are statutory requirements requiring the WSIB to:

- exercise reasonable care, skill and prudence in managing investments;
- consider investments in the context of the particular fund and as part of an overall investment strategy. The investments should incorporate risk and return objectives reasonably suited for that fund;

- diversify investments unless special circumstances exist and the WSIB reasonably determines that the purposes of that fund are better served without diversifying; and
- limit a fund's investment in any corporate fixed income issue or common stock holding to 3 percent of the cost or 6 percent of the market value of the assets of that fund.

**Summary of Bill:**

The state investment board may not invest in a pharmaceutical manufacturing company that:

- Restricts the supply of one or more prescription drugs to Canada in response to the reimportation of a prescription drug into the United States; or
- Sells any of their prescription drugs in the United States at a rate that is more than 10 percent higher than the price they charge in Canada.

"Pharmaceutical manufacturing company" is defined as:

- an entity that is engaged in the production, preparation, propagation, compounding, conversion, or processing of prescription drugs, either directly or indirectly, by extraction from substances of natural origin, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis; or
- any entity engaged in the packaging, repackaging, labeling, relabeling, or distribution of prescription drugs.

"Pharmaceutical manufacturing company" does not include licensed pharmacists or pharmacy operations of any integrated delivery system undertaken for the benefit of patients obtaining care through that system.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.